

## INSURANCE

Budget Summary							
Fund	2014-15 Base Year Doubled	2015-17 Governor	2015-17 Jt. Finance	Joint Finance Change to:			
				Governor		Base	
				Amount	Percent	Amount	Percent
GPR	\$0	\$787,500	\$0	- \$787,500	- 100.0%	\$0	N.A.
FED	798,400	244,600	244,600	0	0.0	- 553,800	- 69.4%
PR	35,449,200	37,410,100	37,256,000	- 154,100	- 0.4	1,806,800	5.1
SEG	<u>181,554,800</u>	<u>223,698,500</u>	<u>183,246,700</u>	<u>- 40,451,800</u>	- 18.1	<u>1,691,900</u>	0.9
TOTAL	\$217,802,400	\$262,140,700	\$220,747,300	- \$41,393,400	- 15.8%	\$2,944,900	1.4%

FTE Position Summary					
Fund	2014-15 Base	2016-17 Governor	2016-17 Jt. Finance	Joint Finance Change to:	
				Governor	2014-15 Base
FED	8.30	7.80	7.10	- 0.70	- 1.20
PR	132.25	131.65	131.65	0.00	- 0.60
SEG	<u>12.75</u>	<u>80.05</u>	<u>12.75</u>	<u>- 67.30</u>	<u>0.00</u>
TOTAL	153.30	219.50	151.50	- 68.00	- 1.80

### Budget Change Items

#### 1. STANDARD BUDGET ADJUSTMENTS

**Governor/Joint Finance:** Provide \$858,800 PR, \$476,100 FED, and \$36,000 SEG in 2015-16 and \$888,700 PR, \$476,100 FED, and \$37,300 SEG in 2016-17 to reflect the following standard budget adjustments: (a) -\$244,200 PR annually for turnover reduction; (b) \$963,600 PR, \$476,100 FED, and \$33,600 SEG annually for full funding of continuing position salaries and fringe benefits; and (c) \$139,400 PR and \$2,400 SEG in 2015-16 and \$169,300 PR and \$3,700 SEG in 2016-17 for full funding of lease and directed move costs.

PR	\$1,747,500
FED	952,200
SEG	<u>73,300</u>
Total	\$2,773,000

## 2. CEASE OPERATIONS OF THE LOCAL GOVERNMENT PROPERTY INSURANCE FUND [LFB Paper 400]

**Governor:** Specify that no insurance coverage may be issued under the local government property insurance fund program on or after July 1, 2015, no existing coverage may be renewed after December 31, 2015, and no coverage may terminate later than December 31, 2016. Specify that all claims under the program must be filed by no later than July 1, 2017, and that no claim filed after that date will be paid. Require the manager of the fund to distribute any moneys remaining in the fund among the local governmental units that were insured under the fund on July 1, 2015. Repeal an obsolete provisions related to a loan made by the local government property insurance fund to the general fund in 1992. The local government property insurance fund makes property insurance available for tax-supported local government property, such as government buildings, schools, libraries, and motor vehicles.

As of June 30, 2014, the fund had \$51.9 billion of coverage in force for property owned by 982 entities, including 69 counties, 128 cities, 252 school districts, 161 towns, 242 villages, and 130 other governmental entities. OCI contracts with private companies to administer the fund.

**Joint Finance:** Delay, by two years, the ending dates for policy renewal and filing claims under the fund. Change the ending dates, as follows: (a) from January 1, 2016, to January 1, 2018, as the last date for the renewal of existing policies; and (b) from July 1, 2017, to July 1, 2019, as the last date for filing claims. Change the date related to the provision for the distribution of any moneys remaining in the fund to apply the distribution to local governmental units that were insured under the fund on July 1, 2017, instead of July 1, 2015.

Require the Insurance Commissioner to adopt the policy rates and structure recommended by the local government property insurance fund Advisory Committee at its meeting on April 9, 2015.

## 3. WORKER'S COMPENSATION TRANSFER [LFB Paper 735]

	<b>Governor</b>		<b>Jt. Finance</b>		<b>Net Change</b>	
	<b>(Chg. to Base)</b>		<b>(Chg. to Gov)</b>		<b></b>	
	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>	<b>Funding</b>	<b>Positions</b>
GPR	\$787,500	0.00	- \$787,500	0.00	\$0	0.00
SEG	40,451,800	67.30	- 40,451,800	- 67.30	0	0.00
PR	<u>180,600</u>	<u>0.70</u>	<u>- 180,600</u>	<u>- 0.70</u>	<u>0</u>	<u>0.00</u>
Total	\$41,419,900	68.00	- \$41,419,900	- 68.00	\$0	0.00

**Governor:** Provide \$13,957,800 (\$13,634,800 SEG, \$262,500 GPR, and \$60,300 PR) in 2015-16, \$27,462,300 (\$26,817,000 SEG, \$525,000 GPR, \$120,300 PR) in 2016-17, and 68.0 positions (67.3 SEG position and 0.7 PR position) annually to reflect a transfer of the worker's compensation program from the Department of Workforce Development to the Office of the Commissioner of Insurance (OCI). For a complete summary of this transfer, see "Workforce Development."

**Joint Finance:** Delete provision.

**4. ACTUARIAL REVIEW OF OWN RISK AND SOLVENCY ASSESSMENT FILINGS**

PR	\$75,000
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**Governor/Joint Finance:** Provide \$37,500 annually to purchase actuarial services to review own risk and solvency assessment documents filed with OCI. With the passage of 2013 Wisconsin Act 279, insurers with total premium collections exceeding certain thresholds are required to maintain a risk management framework to assist the insurer in identifying, assessing, monitoring, managing, and reporting on its material and relevant risks, and to periodically file a summary report of this assessment with OCI. This item would fund contracted actuarial services to review documents filed in accordance with Act 279 requirements, based on OCI's estimate of the number and cost of such reviews.

**5. BOALTC HELPLINE TRANSFER [LFB Paper 401]**

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Net Change
PR	- \$42,200	\$26,500	- \$15,700

**Governor:** Reduce funding by \$21,100 annually to reflect a reestimate of the amount of insurance fee revenue that will be needed to fund telephone counseling services provided by the Board on Aging and Long-Term Care (BOALTC) for individuals seeking information on Medicare supplemental insurance policies ("Medigap" policies), Medicare Part D policies (policies that cover prescription drugs), and SeniorCare.

The BOALTC Helpline provides free one-on-one insurance counseling services to state residents over the age of 60. The Helpline is supported from two sources -- federal funds the state receives under the state health insurance assistance program (SHIP) and state insurance fee revenue budgeted as part of OCI's general program operations appropriation that OCI transfers to BOALTC.

**Joint Finance:** Increase funding by \$13,000 in 2015-16 and \$13,500 in 2016-17 to increase the transfer to fully fund lease costs.

**6. LAPSE REQUIREMENT**

**Governor/Joint Finance:** Specify that the 2013 Act 145 requirement that OCI lapse \$902,700 to the general fund from the unencumbered balances of GPR and PR appropriations in 2015-16 would also apply to 2016-17. [See "Budget Management and Compensation Reserves."]

**7. STATE LIFE INSURANCE FUNDS CLAIMS REESTIMATE**

SEG	\$1,618,600
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**Governor/Joint Finance:** Provide \$654,000 in 2015-16 and \$964,600 in 2016-17 to reflect an estimate of claims OCI will pay from the state life insurance fund during the 2015-17 biennium. The fund provides life insurance policies for participating state residents, with a

maximum value of \$10,000, and is supported by premiums paid by policyholders and earnings on fund investments. With these increases, total claim payments would be estimated at \$4,182,400 in 2015-16 and \$4,493,000 in 2016-17.

## 8. FEDERAL FUNDS REESTIMATE FOR RATE REVIEW

FED	- \$1,506,000
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**Governor/Joint Finance:** Reduce funding by \$630,700 in 2015-16 and by \$875,300 in 2016-17 to adjust OCI's federal funds appropriation to reflect the spend-down of a federal grant for health insurance rate review functions. OCI received a federal rate review grant of \$3,958,800 in 2011 to establish systems and improve rate review functions. OCI expects that \$244,600 of that grant will be unexpended at the end of the 2013-15 biennium. This item reduces base funding to reflect the assumption that the remaining funds would be expended in 2015-16, and that no funding would remain in 2016-17.

## 9. ELIMINATE LONG-TERM VACANCIES

Position	
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**Governor/Joint Finance:** Delete 0.5 position, beginning in 2015-16, as part of the Governor's budget initiative to eliminate positions that have been vacant for more than 12 months. This federally funded position was created to conduct premium rate reviews.

FED	- 0.50
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## 10. TRANSFER ADMINISTRATIVE LAW JUDGE FUNCTIONS [LFB Paper 402]

	Governor (Chg. to Base) Positions	Jt. Finance (Chg. to Gov) Positions	Net Change Positions
PR	- 1.30	0.70	- 0.60
FED	<u>0.00</u>	<u>- 0.70</u>	<u>- 0.70</u>
Total	- 1.30	0.00	- 1.30

**Governor:** Delete 1.3 positions, beginning in 2015-16, related to administrative law judge functions in OCI, in connection with an initiative to require the Office to utilize services provided by the DOA Division of Hearings and Appeals (DHA) for hearings conducted in the course of insurance regulation. The bill would transfer \$72,100 annually from salary and fringe benefit lines to the supplies and services line in OCI's general administration appropriation, to allow the Office to fund services provided by DHA. The Department of Administration anticipates that DHA would conduct OCI-related hearings using existing position authority, so the bill would not provide additional positions in DHA. The 1.3 administrative law judge positions in OCI are currently split-funded (0.6 PR position and 0.7 FED position). DOA indicates that the intent of this provision was to reduce position authority based on that funding split.

**Joint Finance:** Delete 0.7 FED position and provide 0.7 PR position to correctly reflect

the funding split for the transferred position authority.

## **11. REPEAL HIRSP WIND-DOWN PLAN APPROPRIATIONS**

**Governor/Joint Finance:** Repeal appropriations in the Office of the Commissioner of Insurance related to the wind-down plan and operational expenses of the Health Insurance Risk-Sharing Plan (HIRSP), effective January 1, 2016. All policies issued by the HIRSP Authority terminated on March 31, 2014, and the HIRSP Authority was dissolved. Since that time, OCI has administered a wind-down plan to pay any remaining claims and dispense with remaining assets.

## **12. PHARMACY BENEFIT MANAGER REGULATION**

**Joint Finance:** Require any pharmacy benefit manager, with respect to a contract with a pharmacy, to agree to do the following in each contract or contract renewal: (a) update maximum allowable cost pricing information for prescribed drugs or devices at least every seven business days and provide a means by which contracted pharmacies may promptly review pricing updates in a format that is readily available and accessible; (b) reimburse pharmacists and pharmacies for prescribed drugs or devices subject to maximum allowable cost information that has been updated at least every seven business days; and (c) eliminate prescribed drugs or devices from the maximum allowable cost information or modify maximum allowable cost in a timely fashion, consistent with availability of prescribed drugs or devices and pricing changes in the marketplace.

Require a pharmacy benefit manager and pharmacy to include in each contract with a pharmacy a process to appeal, investigate, and resolve disputes regarding maximum allowable cost pricing that includes the following: (a) a 21-day limit on the right to appeal following the initial claim; (b) a requirement that the appeal be investigated and resolved within 21 days after the date of the appeal; (c) a dedicated telephone number at which the pharmacy may contact the pharmacy benefit manager to speak to a person responsible for processing appeals; (d) a requirement that a pharmacy benefit manager provide a reason for any appeal denial and the national drug code published in a directory by the Food and Drug Administration of a prescribed drug or device that may be purchased by retail network pharmacies at a price at or below the maximum allowable cost; and (e) a requirement that a pharmacy benefit manager make a pricing adjustment no later than one day after the date of the final determination of the appeal.

Define a pharmacy benefit manager as an entity doing business in Wisconsin that contracts to administer or manage prescription drug benefits on behalf of any insurer or other entity that provides prescription drug benefits to Wisconsin residents. Define a prescription drug benefit as coverage of or payment or assistance for prescribed drugs or devices. Create cross references to current law definitions for the following terms: pharmacist, pharmacy, and prescribed drug or device.

Specify that these provisions take effect on July 1, 2016.

### **13. AUTHORIZATION FOR OUT-OF-STATE RISK RETENTION GROUPS TO SELL MEDICAL LIABILITY INSURANCE IN WISCONSIN**

**Joint Finance:** Specify that a risk retention group that has not been issued an authorization to do business in the state as a nondomestic insurer ("foreign risk retention group") is authorized to sell health care liability policies if the risk retention group is approved by the Insurance Commissioner and it has and maintains a risk-based capital ratio of at least 300%, as determined under the risk-based capital instructions adopted by the National Association of Insurance Commissioners. Specify that a foreign risk retention group is considered an "insurer" for the purposes of Chapter 655 of the statutes (Health Care Liability and Injured Patients and Families Compensation), thereby extending the excess coverage offered by the injured patients and families compensation fund to parties insured by a foreign risk retention group that otherwise complies with Chapter 655 requirements for insurers. Specify that a 3% premium tax applicable to nondomestic insurers applies to a foreign risk retention group that sells health care liability insurance under Chapter 655.

### **14. DISPUTE RESOLUTION PROCESS RELATING TO HEALTH INSURANCE COVERAGE OF CHIROPRACTIC TREATMENT**

**Joint Finance:** Require the Insurance Commissioner to promulgate rules that provide for a fast, fair, cost-effective, and binding independent process for resolving disputes related to insurer conduct with respect to statutory requirements for chiropractic coverage, access, and reimbursement. Specify that the rules must include at least all of the following: (a) the procedures for making a request to the Commissioner for an independent dispute resolution, including specification of who is eligible to request an independent dispute resolution; (b) a requirement that individuals requesting an independent dispute resolution must first exhaust any internal grievance procedure established by the insurer for grievances related to conduct pertaining to chiropractic coverage requirements; (c) the application procedure and qualifications, including conflict of interest provisions, for individuals to act as independent reviewers under the independent dispute resolution process and the inclusion of retired members of the state judiciary as individuals who are eligible to act as independent reviewers; (d) the procedure for selecting an independent reviewer to review a particular complaint; (e) the procedures, including timelines, that an independent reviewer must follow when reviewing a complaint and a requirement that an independent reviewer must render a decision regarding a particular complaint within nine months after the Commissioner receives the request for independent dispute resolution; (f) procedures for setting and paying the fees of the independent reviewers; (g) a requirement that the insurer about which the independent dispute resolution is requested pay the fees of the independent reviewer; and (h) the relief to which an individual who requests independent dispute resolution and who prevails is entitled, including injunctive and declaratory relief and monetary relief due to underpayments by the insurer. Authorize the Commissioner to promulgate emergency rules for the period before the effective date of permanent rules, without being required to provide evidence that an emergency rule is necessary for the preservation of public peace, health, safety, or welfare, or being required to provide a finding of emergency.